

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AGRE-00 AID-05 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
SS-15 STR-07 CEA-01 OES-09 L-03 H-01 PA-01 HA-05
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FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 824

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E.O. 11652: N/A
TAGS: ECON, EFIN, EAID, EAGR, PINT, CE

SUBJ: PRESIDENT PROMISES HIGHER FLOUR PRICES

REF: COLOMBO 3146

BEGIN UNCLASSIFIED

1. ONLY TWO DAYS AFTER FINANCE MINISTER RONNIE DE MEL WARNED THE PUBLIC THAT THE GOVERNMENT COULD NOT CONTINUE THE PRESENT LEVEL OF SUBSIDIES (RETEL), PRESIDENT JAYEWARDENE, SPEAKING AT THE OPENING OF A NEW BUILDING ON JULY 10, SAID FLOUR PRICES WOULD HAVE TO BE RAISED FURTHER. STATING THAT FLOUR IMPORTED AT RS. 2 PER POUND IS SOLD FOR RS. 0.85, THE PRESIDENT POINT-ED OUT THAT EACH CENT OF SUBSIDY COST THE GOVERNMENT ONE MILL-ION RUPEES PER YEAR. THE MONEY SPENT ON SUBSIDIZING FLOUR IS ENOUGH TO BUILD FIVE SCHOOLS IN EVERY ELECTORATE IN THE ISLAND. FACED WITH THE CHOICE OF SUBSIDIZED FOOD OR INVESTMENT FOR DEVELOPMENT, THE PRESIDENT SAID HIS GOVERNMENT HAD DECIDED "TO GIVE PRIORITY TO THE LONG-TERM INTERESTS OF THE PEOPLE AS AGAINST SHORT-TERM, CHEAP POLITICAL POPULARITY." FLOUR PRICES MUST BE RAISED, HE SAID, BUT THE PUBLIC WILL BE INFORM-

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ED BEFORE THE NEXT INCREASE. CALLING FOR THE PEOPLE TO BEAR SOME HARDSHIPS IN THE INTEREST OF DEVELOPMENT, THE PRESIDENT SAID, "IF YOU DO NOT LIKE IT YOU CAN DEFEAT US AT THE NEXT ELECTION."

2. PRESIDENT JAYEWARDENT TOLD HIS AUDIENCE THAT HIS ONLY REGRET WAS THE RISE IN THE COST OF LIVING. WHILE THE GOVERNMENT

WILL TRY TO HOLD DOWN INFLATION, THE PRESIDENT SAID PEOPLE
ARE NOW BETTER OFF THAN THEY WERE UNDER THE PREVIOUS GOVERN-
MENT. PRICES MAY BE HIGH, BUT THERE ARE GOODS IN THE MARKET
TO BUY AND MANY PEOPLE HAVE MONEY.
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3. COMMENT: THE GOVERNMENT HAS CLEARLY BEGUN A BELATED CAM-
PAIGN TO EDUCATE THE PEOPLE ON THE DIFFICULT CHOICES TO BE
MADE. WHILE HE HAS OFTEN SPOKEN PUBLICLY IN THEORETICAL TERMS
ABOUT THE NEED TO REDUCE CONSUMPTION IN FAVOR OF GREATER IN-
VESTMENT, THIS IS THE FIRST TIME HE HAS BEEN SO SPECIFIC
ABOUT THE NEED TO REDUCE SUBSIDIES. THIS MAY BE A TRAIL
BALLOON TO GAUGE PUBLIC REACTION TO FURTHER CUT BACKS IN THE
SUBSIDY PROGRAM.
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LEVIN

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NNN

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